

surface, a permanent magnet received in said bore and having an outer surface, and retaining structure in contact with the outer surface of said magnet and interference fitted in said bore to retain said magnet in said bore, said bore having a portion of non-circular transverse cross section outboard of said retaining structure defining a bit-receiving socket, said retaining structure including a discrete retaining member friction-fitted in said bore outboard of said magnet, said retaining member and said inner end surface cooperating to retain said magnet therebetween.

5. (Amended) The bit holder of claim [4] 1, wherein said retaining member is substantially flat.

6. (Amended) The bit holder of claim [4] 1, wherein said retaining member is generally bowl-shaped, being convex toward said magnet.

7. (Amended) The bit holder of claim 1, and further comprising a cushioning member discrete from said magnet and disposed between said magnet and said inner end surface.

8. (Amended) A hand tool comprising: an elongated shank having a handle end and a working end and a longitudinal axis, a cylindrical body at said working end having a distal end surface, said body having formed in said end surface an axial bore terminating at an inner end surface, a permanent magnet received in said bore and having an outer surface, and retaining structure in contact with the outer surface of said magnet and

interference fitted in said bore to retain said magnet in said bore, said bore having a portion outboard of said retaining structure of non-circular transverse cross section defining a bit-receiving socket, said retaining structure including a discrete retaining member friction fitted in said bore outboard of said magnet, said retaining member and said inner end surface cooperating to retain said magnet therebetween.

Please add the following new claim:

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-21. A bit holder comprising: a cylindrical body having a distal end surface and an axis, said body having formed in said end surface an axial bore terminating at an inner end surface, a permanent magnet received in said bore and having a peripheral side surface and first and second end surfaces, said bore having a portion of non-circular transverse cross section outboard of said magnet defining a bit-receiving socket, and encapsulation material surrounding said magnet and covering the side and end surfaces thereof, the portion of said encapsulation material covering said peripheral side surface providing an interference fit in said bore, the portion of said encapsulation material covering said first end surface of said magnet providing cushioning between said magnet and said inner end surface of said body, and the portion of said encapsulation material covering said second end surface of said magnet providing cushioning between said magnet and an associated bit. --